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S E C R E T SECTION 01 OF 02 BAGHDAD 001255

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STATE FOR E, NEA-I AND EEB
TREASURY FOR KIMMITT

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TAGS: [EFIN](#) [EPET](#) [IZ](#)

SUBJECT: MINFIN CLEANS UP BUDGET QUESTIONS

REF: STATE 41382

Classified By: CETI Ambassador Charles Ries for Reasons 1.4 (b), (d)

¶1. (S) SUMMARY: Minister of Finance Jabr told EMIN on April 21 that he supports the concept of transferring USD 14 million, payable to the USG for transport to radioactive material from Iraq to Canada, to the USG ICERP account; that all provinces have gotten an initial release of 20 percent of their 2008 allocations; that the 2008 budget supplemental can be used for infrastructure maintenance; that the transfers of emergency reconstruction funds for Basra, Baghdad, and Mosul are imminent; and that the parties are close to reaching an agreement on the hydrocarbons law. END SUMMARY.

¶2. (S) Finance Minister Bayan Jabr told EMIN on April 21 that he supports the idea that the USG should add the USD 14 million (that it will receive from Iraq as cost-sharing for the transport of uranium yellowcake) to the I-CERP account, but referred the technical details to his staff.

Provincial Budget Delays

¶3. (C) EMIN relayed concerns from the provinces about not getting their 2008 provincial budget allocations (which may be because the provinces have not closed out their 2007 budgets). Jabr first professed lacking any knowledge about the issue, then protested that the provinces have gotten 20 percent of their allocations already, and finally acknowledged he would not transfer anymore of their allocations until they had proven that they were committing and spending these funds. He remarked that Mosul has a large corruption problem, but curtly denied that that meant the MoF is examining Mosul's accounts.

¶4. (SBU) Jabr said none of the provinces have turned in applications for additional funding from the supplemental budget, although he has set a May 1 deadline. Najaf province has sent a letter informing the MOF of its application to the Ministry of Planning and Development Cooperation, but the letter provided no details or numbers.

¶5. (C) Jabr added that the supplemental budget can be used for capital projects or infrastructure operations and maintenance in the provinces. Delivery of the extra USD 100 million to Basra awaits an account number. The transfer of emergency funds to Baghdad and Mosul is pending the creation of Committees to dispense the funds and supervise projects. (NOTE: The transfer to Basra took place on April 22. END NOTE) Jabr admitted he does not want to give the money directly to the province. In contrast, the Prime Minister has made no decision yet about who will lead the Committee

handling the emergency funding for Sadr City, although Jabr thinks the Mayor could handle it. In response to EMIN's urging that the cities need money quickly, Jabr said he would share a "secret": Iraq has a lot of money, and intends to spend it.

¶16. (C) DPM Barham Saleh's idea for a National Construction Committee will not work, in Jabr's opinion. He said he has not told the DPM to his face, but he thinks the DPM must be dreaming, because that approach would mean starting from zero. Jabr prefers to simply ask the provinces what they need now - bridges, hospitals, schools - not create a committee to think about long term plans. EMIN explained that he thought the idea was to create an entity to be responsible for strategic projects.

Hydrocarbons

¶17. (SBU) Jabr noted that the issue of strategic projects is what is holding up the revenue sharing law (part of the hydrocarbons legislative package), and there is no agreement in the Council of Ministers on what percent of the budget that should act as a cap. Some Ministers want 15 percent, the Kurds want 5, and Jabr said he and Prime Minister Maliki favor 10 percent. EMIN suggested that proceeds from the Revenue Sharing Law might be channeled into a committee like the one that Barham proposes that would be charged with funding and implementing strategic projects.

¶18. (C) Jabr stated that his impression is that the Kurds want to reopen the oil law for discussion, which is not a good idea. If the Kurds wring changes from the GOI on constitutional grounds, Tawafuq will demand changes, Jabr's coalition will demand changes, and so on. He had told the

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Kurds to think twice about demanding changes to a text that the Council of Ministers had already voted upon. He thinks PM Barzani does intend to make a deal, and noted the Kurds had said they would return in ten days to do just that.

TSA Payments

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¶19. (SBU) EMIN presented points as described reftel on the USG preference for cash payments to international oil companies for technical services agreements. Jabr said payment in kind, as proposed by the Oil Minister, was like going back to the Saddam regime, and would be difficult. He had told Shahrastani that he would not oppose it if the USG agrees to it, but he knows it is not good for transparency, and agreed a sub-account in the Development Fund for Iraq (DFI) would be best.

Miscellaneous Issues

¶10. (C) The Finance Minister demurred on the idea of giving the UNHCR any money for refugee assistance external to Iraq, saying that it would never pass the Parliament as there is the perception that administrative costs would take 50-60 percent of any amount donated to a UN agency. He said he hopes to go to Sweden for the International Compact with Iraq meeting. He asked EMIN to press Greece for debt relief for Iraq (and then press Kuwait and the Gulf countries). He supported the idea of Saudi Arabia donating aid to the USG to disburse for Iraq, and agreed to the conditions that it be distributed throughout Iraq and that it be made public, if it happens. He thought the recent public sector salary increase would be good for the economy, and commented that the IMF had cleared the idea after his deputy had explained that no raise had been granted since 2004, so the net cost was much less than it could have been. He intends for the salary increase to take effect retroactively as of January 1 of this year, rather than June 1 as some had urged. He reported that the Ministry of Trade had not

yet asked for an extra USD 30 million for an extra monthly ration from the Public Distribution System for Sadr City, but Iraq would have no problem funding it.

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